

## Message Text

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ORIGIN AID-59

INFO OCT-01 EA-11 ISO-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 H-03 INR-11 L-03 NSAE-00 NSC-07

PA-04 RSC-01 PRS-01 SP-03 SS-20 IO-14 COME-00 EB-11

FRB-03 TRSE-00 XMB-07 OPIC-12 CIEP-03 LAB-06 SIL-01

OMB-01 IGA-02 ABF-01 STR-08 CEA-02 AGR-20 /222 R

DRAFTED BY SA/C:PWASKIN/DMERRILL:GBK

APPROVED BY AA/SA:RHNOOTER

EA/LC:LMRIVES (DRAFT)

EA:RMILLER (DRAFT)

SA/PPB:LMARINELLI (SUBS)

TREASURY:JBUSHNELL (DRAFT)

----- 010053

O 132243Z SEP 74 ZFF4

FM SECSTATE WASHDC

TO AMEMBASSY PHNOM PENH NIACT IMMEDIATE

C O N F I D E N T I A L STATE 202315

E.O. 11652 GDS

TAGS PFOR, ECON, EAID, EFIN, CB, US

SUBJECT: ECONOMIC REFORMS PACKAGE

REF: (A) PHNOM PENH 12279 (B) PHNOM PENH 12244

(C) STATE 169546 (D) PHNOM PENH 12088

(E) PHNOM PENH 1210 (DTG 131135Z)

1. APPRECIATE YOUR REPORT REFS (A) AND (E) ON EFFORTS  
REACH AGREEMENT ON ECONOMIC REFORMS PACKAGE. WE UNDERSTAND  
GKR RELUCTANCE APPROVE THESE ECONOMIC READJUSTMENTS ALL AT  
ONCE BUT FIRMLY AGREE WITH YOU THAT SUCH MEASURES ARE  
OVER-DUE AND MUST BE PUT INTO EFFECT AS PACKAGE AS SOON AS  
POSSIBLE. CORRECTIVE MEASURES ON EXCHANGE RATE, RICE, AND  
OTHER PRICE ADJUSTMENTS ARE VIEWED HERE AS EXTREMELY IMPOR-  
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TANT STEPS NEEDED TO SHORE UP FALTERING KHMER ECONOMY AND

AS POSITIVE INDICATORS OF KHMER WILLINGNESS AND ABILITY TO MAKE TOUGH ECONOMIC DECISIONS. AS YOU ARE AWARE THESE STEPS BECOME INCREASINGLY IMPORTANT IN DEFENDING, SECURING, AND MAINTAINING THE VALUE OF ADEQUATE LEVELS OF AID ASSISTANCE TO THE GKR. AS YOU POINT OUT, RUMORS OF THE IMPENDING ECONOMIC CORRECTION MEASURES ARE RAMPANT IN PHNOM PENH. WE BELIEVE SUCH A SITUATION MAY MAKE BLACK MARKET PRICE OF DOLLARS GO EVEN HIGHER AND MAY WELL HAVE BEEN FACTOR IN

RECENT RISE BLACK MARKET PRICES OF RICE, AS PEOPLE SEEK HOARD RICE WHICH THEY FEEL WILL BE MORE EXPENSIVE SHORTLY. THE BEST WAY TO CUT OFF EXCESS SPECULATIVE DEMAND DUE TO ANTICIPATION OF THE MEASURES IS TO TAKE THE MEASURES BOLDLY AND SWIFTLY.

2. THE FIRST QUARTER OF THIS FISCAL YEAR IS RAPIDLY DRAWING TO A CLOSE. THUS DELAY IN AGREEMENT ON A NEEDED, REASONABLE, AND ACCEPTABLE PACKAGE OF ECONOMIC CORRECTION MEASURES WOULD OBLIGE US TO REPROGRAM THESE FUNDS TO OTHER CLAIMANTS. THIS DECISION WILL HAVE TO BE MADE BY COB SEPTEMBER 20. YOU MAY WISH TO ADVISE GKR THAT FUNDS WILL BE LOST TO THEM BEYOND THIS DATE.

3. IN THE INTERIM, WE WILL CONTINUE TO RESERVE THE FUNDS REQUESTED FOR KHMER REPUBLIC. WHEN, IN YOUR JUDGMENT, YOU HAVE NEGOTIATED BEFORE SEPT. 20 ACCEPTABLE AGREEMENT ALONG LINES CONTAINED REF (D), ADVISE NIACT AND WE WILL MAKE AVAILABLE AN ADDITIONAL ALLOTMENT OF DOLLARS 18.5 MILLION ENABLING YOU TO SIGN A CIP AGREEMENT FOR DOLLARS 23.6 MILLION. IF AGREEMENT ALONG THESE LINES NOT POSSIBLE; THE ENTIRE MATTER WILL AGAIN HAVE TO BE RECONSIDERED IN DETERMINING OUR SECOND QUARTER AND REMAINING FY 1975 ALLOCATIONS.

4. DOCUMENTATION ON ESF FUNDS REQUESTED BEING INITIATED AND SHOULD BE COMPLETED EARLY NEXT WEEK. IN MEANTIME, WE NEED MORE DETAILED RATIONALE CONCERNING AMOUNT AND TIMING OF THIS ESF TRANCHE. IF YOU REACH AGREEMENT PER PARA 3 ABOVE AND NEED AUTHORIZATION MAKE ANNOUNCEMENT OUR INTENTION CONTRIBUTE ESF BEFORE DOCUMENTATION HERE  
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COMPLETED, PLEASE ADVISE. KISSINGER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ECONOMIC CONDITIONS, ECONOMIC STABILITY, INFLATION, FOREIGN EXCHANGE RATES, PRICES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 SEP 1974  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** kelleyw0  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1974STATE202315  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** PWASKIN/DMERRILL:GBK  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Film Number:** D740257-0139  
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**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1974/newtext/t19740946/aaaabmwr.tel  
**Line Count:** 108  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ORIGIN AID  
**Original Classification:** CONFIDENTIAL  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:**  
**Previous Classification:** CONFIDENTIAL  
**Previous Handling Restrictions:** n/a  
**Reference:** (A) PHNOM PENH 12279 (B) PHNOM PENH, 12244  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kelleyw0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 24 JUL 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <24 JUL 2002 by martinml>; APPROVED <19 MAR 2003 by kelleyw0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** ECONOMIC REFORMS PACKAGE  
**TAGS:** PFOR, ECON, EAID, EFIN, CB, US  
**To:** PHNOM PENH  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005